August 3, 1960

Investor's Reader

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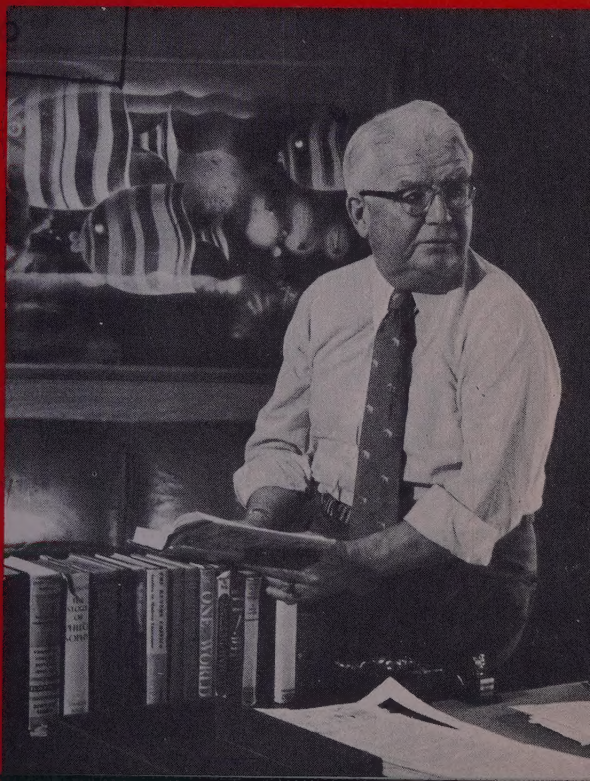

OBETROTTER WEAVER
OF FERRO CORP
(see page 21)

"Q T" CUTIE

For a "quick tan" this cutie applies a liberal coat of "Q T", one of several popular new tanning lotions to tempt the sunbather's pocketbook this season. This one is made by Plough Inc subsidiary Coppertone which covers more than one third of the nation's tan seekers.

Coppertone joined the Plough family in 1957. Since then the Memphis drug maker has added no fewer than eight other companies. Among them were the 1958 purchase of Solarcaine (sunburn and other lotions), the 1959 acquisitions of Paas Easter egg colorings and an Atlanta radio station re-lettered WPLO. In the past year Plough has also bought Southern Shellac (July 1959), Webb Products (January) which makes wood fillers and adhesives and Dicks-Armstrong-Pontius (April) a leading manufacturer of caulking compounds. These last have been consolidated into a new Household Products division.

The Plough acquisitions join an already well-established line of Plough proprietaries including the St Josephs line of aspirin (for kids, especially), milk of magnesia, mineral oil, nose drops, epsom salt and the well-known Mistol cold remedy line. Other familiar Plough trademarks: Musterole, Mexsana, Zemo.

Most of these products came to Plough by the acquisition route. This diet has boosted sales which more than doubled in the last decade to 1959's record $34,020,000. Even more impressive, profits have shot from $470,000 or 53¢ a share to a record $2,660,000 ($2.10) in the same period. The trend continues with sales and earnings for the first half of this year "the highest for any six month period in our history." Volume was up 38% to $23,500,000 while profits rose from $1,250,000 or $1.02 a share to $1,625,000 ($1.23).

Plough stock has been lively. The 1,300,000 PLO shares (20% are closely held), recently traded on the Big Board around 60, roughly ten times the 1954 low.

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Investor's Reader

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The Sad Sad State of Steel

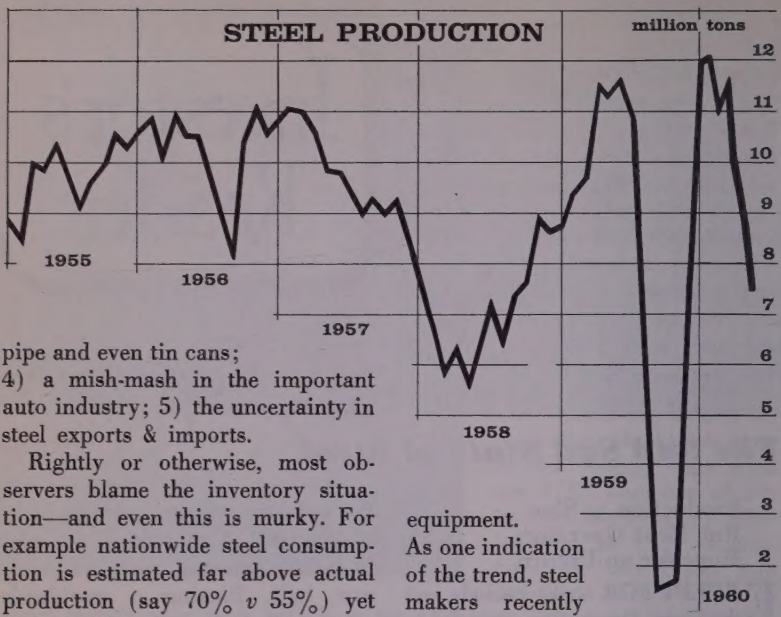
Production is Slow But Most Operators Hope for an Upturn

EXCEPT FOR strike periods and the Great Depression, the mighty $15 billion dollar steel industry has rarely been so depressed. Last week steelmen from Kaiser's mill in Fontana, Cal to Big Steel's complex in Morristown, Pa hoped for an early upturn in production. July output averaged only 54% of capacity with a low operating rate for the year of 42.3% in the Independence Day week. Said Jones & Laughlin board chairman Avery Adams: "The July 4th week will be the lowest for the year by far." As if in response, output rose to an estimated 54.6% two weeks later.

If the bottom in steel has been reached, nobody in authority is sure what will happen for the balance of the year. Some experts say the industry can still break the 1955 record of 117,000,000 tons; others say the industry will be lucky to cross 110,000,000 tons which includes 61,000,000 already produced in the first half. Barring a worldwide eruption, everyone agrees the year-end estimates of 120-to-135,000,000 tons are out the window along with that phrase the "Soaring Sixties."

Part of the indecision over the outlook for steel can be traced to the confusion over what caused the sudden slump. Nationwide industrial output in June was 109% of the 1957 average and only a shade below the alltime record in January. In contrast, steel wobbles along well below the 1957 level and at only half the industry's expanded capacity of almost 150,000,000 tons.

Some Reasons. For this sad state of affairs, there are several major explanations: 1) consumer over-anticipation of steel needs both pre-strike and post-strike; 2) excessive inventories as a result; 3) declines in such major steel users as oil field



pipe and even tin cans; 4) a mish-mash in the important auto industry; 5) the uncertainty in steel exports & imports.

Rightly or otherwise, most observers blame the inventory situation—and even this is murky. For example nationwide steel consumption is estimated far above actual production (say 70% *v* 55%) yet steel warehousemen have been poor customers indeed. The warehousemen are only a small segment of the total market but they frequently pinpoint a trend because they serve so many small outfits.

Lower Inventories. Going a bit deeper, many steel users have discovered money is tight and steel is not—so why the rush? Besides, new methods of inventory control (punch cards and electronic memories) enable corporate executives to keep a day-by-day tab of raw materials on hand and thus avoid the extra cost to store, insure and handle unnecessary supplies.

Steel use by the oil industry has been drowned by oceans of surplus oil which in turn brought reduced drillings (approximately 15% below last year) and less need for other equipment.

As one indication of the trend, steel makers recently increased the discount from 3% to 5% on pipe sold to jobbers. As another indication, the Youngstown steel district is an important producer of tube products and recently operations were down to a paltry 13%. Regardless of the big push for canned soda pop, shipments of tin plate to the can makers were down over 500,000 tons in the first half—not much, but it all hurts.

The auto industry, normally steel's biggest single customer, has been rolling at a fine rate but on a very comfortable highway of steel bought months in advance. Hence steelmakers were eagerly awaiting large orders for '61 models when something happened. Some automakers postponed introduction of the new cars. Last week Ford announced it would postpone the de-

buts a week—and maybe more. One very possible reason: an estimated 850,000 shiny 1960 models are still unsold.

Meanwhile the impact of compacts is unknown. The average compact weighs 30% less than the average standard. Much of this weight saving is steel.

The steel import threat has eased at least to the extent it has stopped its rapid rise (IR, Oct 28, 1959). In fact in May steel exports exceeded imports for the first time in 17 months. Nonetheless Jones & Laughlin president Charles Beeghly comments: "The problem of imports is here to stay."

As a result of the slowdown, about half of the nation's 600,000 steelworkers are out of a job or on short work weeks. One union sympathizer dourly noted: "The steel industry is becoming an eight months business."

Stockholders also are feeling the squeeze. Last week small Alan Wood Steel reported June quarter profits had nosedived to $350,000 (42¢ a share) from $1,141,000 ($1.55 a share) the year before. No 7 steeler Youngstown Sheet & Tube saw second quarter earnings erode to $5,998,000 ($1.72 a share) from $17,163,000 ($4.94 a share) last year. June quarter earnings for Lukens Steel came to only $1.01, less than half the profits reported for the same period last year. Lone Star earned a meager 22¢ in the June quarter, down from $1.21 while Continental Steel reported $1.14 *v* $1.66.

Even so steel stockholders must

Iron flows for Inland increase

be a hardy lot. The Merrill Lynch index of eleven steel stocks is only 21% below the alltime high record in August—a creditable performance under the circumstances.

Some Sunshine. The most remarkable aspect of the current slump is most steelmakers are not deeply

Kaiser capitalizes costs

worried. Indeed they are so confident they have made no major cuts in plans to spend $1.7 billion on capital improvements in 1960, a jump of 67% over last year. One good reason is they have again discovered new & modern equipment pays off. The latest proof is the present slump wherein company after company has closed down the older, inefficient equipment and kept the newer running full blast.

The industry also is banking on a high level of capital spending by other business. The latest estimate is a giant $37 billion this year or 13% above 1959. With steel in easy supply, US Steel chairman Roger Blough makes a good point: "In times like these you can get the most for your capital dollar."

Another bright note, prices for steel scrap, an important production ingredient, are also at a low. This may help offset the December wage increases somewhat.

Meantime a growing number of economists and steelmen expect a reversal of the pinch-dollar buying tactics of steel customers. Says the august Federal Reserve Bank of New York: "It now appears that inventories of steel are being depleted at a rate which cannot continue long without stocks reaching inconveniently low levels." Armco Steel president Logan Johnston is a bit more forthright: "We believe more & more of our customers are reaching their desired inventory levels which in itself will stimulate steel buying."

Automation at US Steel Fairless works

WALL STREET
Win & Place

AMONG THE STOCKS to come to the American Stock Exchange last month were the 159,000 Class A common shares of the Superior Window Company, which certainly should not lack for hometown business. Its location: Hialeah, Fla.

HOTELS
The Sheraton Way

RECENT GUEST at the prandial delights of the New York Society of Security Analysts was self-assured president Ernest "Mr Sheraton" Henderson of giant hotel chain Sheraton Corp of America. His theme: how a hotel chain can show remarkable revenue growth without improvement in earnings—and why this is a good thing for its stockholders.

No doubt about it, Sheraton gross income has risen 600% since War II. Profits have not. They came to $3,100,000 or 60¢ a share in the fiscal year ended April 30. This was off from $3,916,000 or 71¢ a year earlier and substantially below the high of $8,870,000 or $1.95 in 1954.

To save his audience the trouble Ernest Henderson asked himself this question: "How can a company like Sheraton which shows infinitesimal earnings have such a growth record?" His answers centered around two words: debt management and depreciation.

Now the operator of 56 hotels with 27,000 rooms and 22,000 employes, Sheraton is willing to go into debt at the rate of 50% of the fair market value of its hotels. In many cases such as with the Philadelphia Sheraton, Ernest Henderson says "we have been able to borrow" from local bankers at especially low rates "amounting to a subsidy" to build or improve a downtown hotel to attract more people to the area. He adds: "That's why downtown hotels have in many cases been more interesting for us than motels."

Equally important to Sheraton has been depreciation. With accelerated depreciation, which deliberately keeps earnings at a minimum, Sheraton has avoided high income or capital gains taxes and has been able to plough more money back into improvements. The improvements (air conditioning, new banquet halls, etc) generate more earnings, which are in turn reinvested.

Says Ernest Henderson: "Five or six years ago when Sheraton was half its present size and when the value of depreciation was not as well understood as it is now, we had $4,500,000 of depreciation charges and reported $3,500,000 in tax-paid earnings. Today, with our size doubled, depreciation would be $9,000,000 if calculated at the normal rate. By using accelerated methods it is actually $17,500,000. We invest this money in projects which in turn improve the earnings capacity of our hotels."

He adds: "Last year we completed $21,000,000 in improvements. As far as we can tell, they have added $30,-

000,000 to our net worth." It would have been $10,000,000 more were it not for the "competitive havoc played on our Penn Sheraton [the old William Penn] in Pittsburgh by the new Hilton hotel there. So while reported earnings for the year are only around $3,000,000 we increased our net worth ten times that."

Sheraton benefits too from chain operation—national advertising, quantity buying, channeling business from one link in the chain to others, etc. One example: a back cover ad in *Time* costs $22,000. For one hotel in one city, says Ernest Henderson, "this would be disastrous." On an individual hotel basis it costs only about $400.

This growth emphasis has apparently won great favor with stockholders—and not merely a group of sophisticated insiders—for there are 15,600 holders of Sheraton common.

As recently as 1950 the 5,200,000 shares sold at 2; they reached a high of 24¼ on the Big Board in 1959, now trade around 18. By design, the stock is highly leveraged. Ahead of the common are almost $50,000,000 of parent company debt (including a recent $25,000,000 issue of 7½% income debentures), plus $132,000,000 of subsidiary debt. Each Sheraton hotel carries its own individual debt.

For Ernest Henderson, who adorns the cover of his autobiography "The World of Mr. Sheraton," there has been considerable satisfaction in doing what he calls "creating results without reporting earnings."

FOODS

Crackers & Cookies Alone Make Up Burry's Lively Family

STROLLING AROUND the Early American board room in the Elizabeth NJ headquarters of Burry Biscuit Corp, president George William Burry proudly pointed out pictures of the original company. Said he: "We Burrys have been baking since 1888 when grandmother set up a bake shop in Toronto but we can't really claim direct descent from this first company." The Canadian company merged with Barkers Bread Ltd in 1928 and grandson George served as president until he moved South and in 1933 started the present concern.

Today $6,000,000-assets Burry counts only its proven specialty of biscuits and crackers as its secret ingredient of growth. All its 50 different kinds of sweet cookies, ice cream wafers and specialty crackers are produced at the company's one plant in Elizabeth.

This single scope was not always so. According to vice president and treasurer Frederick E Brewster: "During War II when sugar and shortening were rationed Burry branched out into other fields—floor waxes, cleaners, biscuit mixes, household deodorizers and even mud packs." After the war it streamlined its activities and consolidated its baking facilities.

Then in 1953 the company overhauled its distribution methods to direct store delivery. Previously Burry had received orders from and delivered to big chain warehouses.

Today it has its own merchandising team to canvass individual stores, appraise their needs, set up displays, supply them quickly, efficiently and directly. Says 32-year-old assistant to the president Fred Pinkerton, who is one example of the growing number of younger managerial men at Burry: "The new marketing set-up was expensive but it is paying off. The big reason for our recent marked gains is the system is maturing. Every day we get more productivity per man. Direct store delivery now covers 90% of our food store customers and they represent close to 70% of our sales."

As for the other 30% Burry is the No 1 US maker of ice cream wafers (the sides of ice cream sandwiches) which are sold directly to dairies and the No 2 baker of Girl Scout cookies which it supplies across the country. At all times Burry is acutely aware it is dealing and competing with giants—supermarkets on one side, much bigger bakers on the other.

Burry's ovens bake 65,000,000 pounds of goods a year. With several ovens being enlarged and additional ones ready by early 1961, output will reach 85,000,000 pounds. This should accelerate the Burry trend which has meant increased sales every year save two in the last 20.

In the fiscal year ended October volume reached $19,300,000, up 8% from 1958. Earnings have risen steadily since 1952 except in 1957. Thus last year profits came to a record $453,700 or 66¢ a share *v* 58¢ in 1958. For fiscal 1960 Burry projects a sales increase of 14%, to $22,000,000, while profits are expected to reach $1.10 a share.

By the end of the first half Burry was more than half way home: sales rose to $12,500,000 and earnings

George Burry shows off wares

reached $400,000 or 64¢ a share, just 3¢ off full year 1959. Meantime the 563,000 Burry common shares trade on the Amex around 10½, about triple the 1957 low.

Burry common currently pays a 40¢ a year dividend but Fred Brewster admits: "The increased profit will require discussion." Despite capital expenditures "in excess" of the $600,000 originally budgeted, Fred Brewster notes at the September meeting a dividend increase will "definitely be reconsidered."

With its current trim product mix and revised marketing program Burry may again look toward wider horizons. But one thing management makes emphatic: they will stick to cookies & crackers. Cracks George Burry: "Someone was in here the other day trying to get us to market Swiss chocolates. We're just not interested."

In fact only in the last year did Burry start to make crackers again. In March, 1959 it bought the trademark and recipe of Euphrates crackers. These wheat wafers have been a terrific success, will account for a substantial gain in the company's food store sales this year. This year Burry also took a big crack at the children's market with the introduction of Romper Room sandwich cookies and Scooter Pies (marshmallow sandwiches).

According to George Burry there is no limit to the number of new products in the cookie and cracker family. Attests manufacturing vp Edwin G Hufnagel: "Mr Burry is the spark behind all new product development." He personally supervises lab experiments (although a special panel does the official testing), constantly offers new recipes for trial.

This basic groundwork is vitally important to the 60-year-old chief executive who has been known to replace personally a box of broken cookies in answer to a complaint. Says he: "Nothing is too much trouble when it comes to satisfying the customers. I'm not too proud to handle the details and my staff knows when I want something done right, I mean for it to be done right. The most important thing today is a base of acceptance for quality. Next you must have an attractive package and then after the customer has made the purchase, he's got to be satisfied."

He continues: "Our biggest problem has been the first 25 years—now we're beginning to be recognized. At times profits have been zero but we'd never compromise quality even though there was temptation to scrimp." He adds: "You couldn't outwit the American housewife if you wanted to—and we don't want to."

WORLD ECONOMY
Air Conditioned Space

THE STRUGGLE between Man and machine got a bit rougher last fortnight when Westinghouse Electric Corp announced it would air condition twelve of the tracking stations which will watch the first USAstronaut in space. The conditioning will be for machines not men. Said Westinghouse: "Precise environmental and atmospheric control is required to keep the equipment operating at peak efficiency."

AUTOS

A Most Fortunate Breech

RARELY in US history has a corporate giant grown with the vitality and speed of Ford Motor Company. To a great extent it started in the Spring of 1946 when then 28-year-old auto prince Henry Ford II hired then 49-year-old Ernest Robert Breech as operating head of his company. Young Henry expected results and he got them.

- Total Ford assets raced from $816,000,000 at the end of 1945 to $3.5 billion now.
- The physical plant is practically new with over $4 billion capital improvements in 14 years. Ernie Breech fondly calls this "the betterment program."
- Net results have leaped from a deficit of $30,000,000 (a figure which slipped out in heated union debates) to profits up to $500,000,000 a year.

Far more important is Ford Motor has been converted from a sluggish, cold-hearted machine into an alert, aggressive organization which is known for its good works as well as its good products. The company has improved its relations with labor, with its dealers and with the public. It also has added a generally happy family of 244,000 shareholders who hitched a ride when the family company "went public" in early 1956.

Ernie Breech did not do this by himself. He got tremendous help and support from Henry Ford II who quit Yale engineering because he was more interested in sociology. So he tended human relations at Ford while Ernie Breech used his great talents on facts & figures.

Last week Ernie Breech was the retired chairman of Ford but had the new title of chairman of the finance committee. For the moment young Henry is both chairman and president.

Contrary to recent resignations in Detroit, everyone was happy. Said Breech: "After 40 years of an extremely active business life I want to relieve myself of heavy day to day demands * * * and allow younger men to assume them." Said young Henry: "Our close association has yielded rich results of inestimable value to me and the company."

Some very sensible words came from Mrs Thelma Breech who has been married to Ernie for 43 years: "I've been trying to get him to do this for three years and I'm terrifically happy. I see no reason for a man to wait until he has a heart attack to retire. Ernie's in excellent health. We will see our new home in Arizona and visit our son in California * * * it will be like a second honeymoon."

ELECTRONICS

Texas Style Growth

THE FIRST totally transistorized data processing system for private industry has gone to Dallas. It is an IBM 7070 which was recently installed at the headquarters of Texas Instruments Inc. According to Texas president Patrick Eugene Haggerty who is pictured at the control console on page 10, "the system will add a new dimension to our

Pat Haggerty tries out his IBM 7070

ability to manage our growing company."

The new 7070 contains over 41,000 Texas Instruments transistors and celebrates not only expansion for the $100,000,000-assets Texas company but also a splendid tie-in with IBM. The two electronics specialists have collaborated for several years (IR, Oct 29, 1958) on joint development of semiconductor devices for computer systems applications. Under a new agreement signed this May they will continue exchange of technology.

Texas Instruments is known to most investors as one of the most glamorous issues on the Big Board. The ticker symbol TXN first appeared on the Big Board at 5⅛ just seven years ago. Of all things TXN had acquired the corporate shell of an old Big Board company called Intercontinental Rubber which vainly tried to produce good rubber from strange bushes. This had no effect upon TXN which this year roared to a peak of 256 before reacting.

Despite its $200-plus price, TXN pays no dividends and directors reportedly have "no present intention" of doing so. Rather, they prefer to reinvest earnings "in order to sustain growth and the company's competitive position."

Last year the company spent $20,000,000 for capital expenditures and TXN will match this in 1960. It has recently completed a new research building and doubled the size of the semiconductor components plant in Dallas. A new plant in Bedford, Britain is under construction to supply semiconductors to the Commonwealth and Western Europe.

Another key 1959 expenditure was mechanization of manufacturing and testing in older plants.

This has resulted in several new manufacturing processes and efficiencies in semiconductor production alone which have helped lower costs and meet rising competition. About $15,000,000 a year goes into R&D not counting large research contracts for "outside parties."

Such investments have paid off in technological advances as well as rocketing sales. Texas Instruments has been an acknowledged leader in semiconductor research since it introduced the first silicon transistor in 1954. The most significant recent advance is solid circuit semiconductor networks which represent another breakthrough in miniaturization of electronic circuitry. They became commercially available early this year.

Counting the April 1959 merger of Attleboro, Mass metallurgy specialist Metals & Controls Corp, sales last year came to $193,000,000, more than double the year before. Earnings too more than doubled to $14,000,000 or $3.59 a share. Even without Metals & Controls, which had sales of $44,000,000 in 1958, TXN still would have tacked on more than the 38% annual rate of gain over the past 13 years.

The trend continues this year with first quarter sales and earnings ahead by one-third. The second quarter is expected to be "the highest yet in terms of sales though we have no indication yet of a consolidated earnings figure."

Likewise the full year should post a new record. President Haggerty figures sales of $240-to-$250,000,000 while profits are estimated at $4.50-to-$4.75 a share. As for boosts from acquisitions or mergers "we have no present plans."

Electronics is not TXN's only field. Like many a good Texas company TXN is also oil interested. Its predecessor company started out in geophysical services for the petroleum industry in the Thirties and is today the industry's largest contractor for such services. Well over half of TXN business is in electronics, both civilian and defense, and the percentage is growing. Research projects are important. And though the civilian portion is greater, last year defense-based electronics jumped from 11% to over 30% of total sales. The remainder is Metals & Controls which makes thermostatic and electrical controls, nuclear fuel elements and cores, clad metals, alloys and similar exotic products.

TRANSPORTATION

Air Borne Puerto Rico

THE FUN AND RUM in Puerto Rico apparently have captured America's business and playtime heart. Right now air travel to the island promises to better last year's record of 439,310 US travelers to San Juan's International Airport which in turn was roughly eight times the 1950 total.

The "gateway" cities to San Juan —including New York, Miami and Chicago—have about 20 flights each day and an equal number return. The major lines are Pan Am, Eastern and Trans Caribbean Airways (IR, Aug 8, 1959).

From New York first class round trip tickets cost $208, tourist class

fares run around $150, while economy flights average a carefree $95. A jet Miami to San Juan takes three hours and costs $72 one way.

Air traffic to the island commonwealth has been spurred by a decade-long Puerto Rican publicity push and recent Cuban upheavals. Regular airlines already are booked for the seasonally heavy Christmas vacation period with current flights filled two-plus weeks in advance. And the big airlines are reserving for the George Washington birthday weekend and thereafter.

MANUFACTURING

Norris-Thermador Plans for More Products and Profits

ON A JULY VISIT to Manhattan, when his company's stock was listed on the Big Board, chairman Kenneth T Norris of Los Angeles-based Norris-Thermador Corp had good news for shareholders. He estimated company sales for the year July 31 approached the $40,000,000 mark. This compares with $36,445,000 in fiscal 1959. Earnings are figured around $1.95 a share *v* $1.64 a year earlier. What is more, for fiscal 1961 chairman Norris foresees sales of $48,000,000 and earnings of $2.30-to-2.40 a share. He added: "Unless there is a radical change in the economy, this estimate is realistic and probably conservative."

The increase forecast for fiscal 1961 will be largely due to a big rise in military sales. The company expects military products will account for one-third of sales compared with only 20% last year.

Norris has developed and manufactured products for national defense since 1938. During War II the company made artillery cases from brass. When brass became short it developed and produced steel cases. This effort made Norris-Thermador a sharpshooter in the cartridge field. The company has produced virtually every size of steel and brass cartridge case—from 20 MM to eight-inch. It was also the largest producer of aluminum protective containers for Navy artillery shells. In fact during the Forties the company produced more kinds and sizes of artillery cases than any firm in the country.

Chairman Norris points out: "While we continue to be the largest producer of artillery cartridge cases for the Army & Navy, the company for the past five years has also been establishing a firm position in rockets and missiles. We are one of two suppliers of motor metal parts for the Sidewinder and one of three principal suppliers of the first and second stage motor chambers for the Polaris."

The Start. Norris-Thermador is the result of the 1950 purchase by Norris Stamping & Manufacturing of Thermador Electrical Manufacturing, of which N-T president William E Cranston was a co-founder. The original Norris Stamping which was founded in 1930 quickly forged ahead as a metal products fabricator.

After War II Norris Stamping found itself with a large plant and small business. Its work force was slashed from 2,500 to 450. So management looked around for other

Norris, N-T specialist Fagan, Cranston & NYSE's Funston celebrate listing

products—and found them. Today Norris has a diversified product mix.

Among them is automobile wheels which Norris began to produce in 1947. Today they account for 20% of sales and Norris is by far the largest producer of automobile wheels on the West Coast. With 22 different types of wheels and a volume of 350,000 a month it makes wheels for practically every auto except the Falcon and Cadillac.

N-T (the new Big Board ticker symbol is NT), is also one of three principal producers of copper bottom stainless steel cookware. It supplies all Sears, Roebuck national needs, also makes cookware for sale under its own name. Another Norris line: cylinders to transport propane, butane, oxygen and other gases. Closely related is Norris pressed steel plumbingware, which last year accounted for 18% of sales.

About 30% of sales are electrical appliances which Norris got into with its acquisition of Thermador. They include built-in ovens, range tops, refrigerator-freezers, portable and wall heaters. With its line of "built-ins," president Cranston feels the company is in the "Tiffany" end of the appliance business. Convinced taste is not limited by income, he believes most people are willing to pay for quality. Aside from electrical appliances, Thermador does research, development and production in electronic and electrical equipment. This includes work on magnetic components, transistorized power systems, voltage regulators for guided missiles and ground support equipment also for guided missiles.

Downs & Ups. Despite diversification and expansion, the West Coast company has had its share of downs & ups—mostly ups. While consumer sales have been relatively constant,

the company's military business has been mercurial. Peak sales came during the Korean War in 1953 when total volume topped $78,000,000. This included $15,000,000 in sales of facilities to the Government. Peak profits came the following year when the company earned $1.99 a share. Also with its hand on shell casings, N-T was left behind in the initial race for missile work. But it has gradually worked its way into the field and as indicated by anticipated 1961 sales, such work will become increasingly important.

N-T plans to continue to diversify through acquisitions. In mid-1959 it acquired Russell Bolt & Manufacturing of Los Angeles which makes industrial fasteners. Chairman Norris adds: "We are investigating other acquisition possibilities in various parts of the country." He says Norris would rather pay cash for such acquisitions but "would consider an exchange of stock" where growth possibilities appear excellent.

With about $5,000,000 in cash & securities, no funded debt or preferred ahead of the 1,416,000 shares of common stock, Norris is in a good spot to make acquisitions. Meanwhile, as if in anticipation of still better things to come, the common last week traded around 21 or very close to its alltime high.

MANAGEMENT

Susquehanna Scope

ENTREPRENEUR J Patrick Lannan has definite ideas about investments and they do not run to blue chips. He prefers his companies small, weakly managed and in poor financial health. By restoring their vigor Pat Lannan has gained for himself a bountiful fortune and to some folks a "wheeler dealer" reputation.

Today one of Pat Lannan's chief interests is a holding company called Susquehanna Corp which he won in 1958 after a raucous proxy fight. To financier Lannan $43,000,000-assets Susquehanna is not just another "special situation" but an opportunity to head up a complex including a commuter railroad, several bus lines and uranium mills.

This somewhat unusual motley is the result of the reorganization of commuter railroad Chicago North Shore & Milwaukee, which also happened to own a slew of bus lines in Illinois and Wisconsin. Susquehanna still operates the road, but it is a money-loser and the company has petitioned the ICC for permission to abandon it. Last week a company spokesman noted: "The Commission may not act until Spring." Susquehanna still has its commuter bus lines but these "are operating at a profit."

More important are the uranium interests. Through subsidiary Mines Development acquired in 1956 the company processes under contract with the AEC 450 tons of uranium ore a day at Edgemont, SD. Pat Lannan comments on Edgemont: "We're building a new specially-designed vanadium processing plant there which should begin operations by late Fall."

Through another subsidiary, Susquehanna-Western Inc (formerly Fremont Minerals) the company

processes an additional 724 tons of uranium a day at Riverton, Wyo. Pat Lannan notes: "We have negotiated a contract with the AEC for construction of a uranium ore processing mill near Falls City, Tex. This operation will be our first integrated mining and milling operation. Milling operations should begin by November." Pat Lannan has already expanded operations at Riverton with a 200-ton-a-day sulphuric acid plant which supplies Susquehanna-Western's uranium processing as well as local oil refiners and sugar beet processors.

In January unorthodox financier Lannan added Computer Engineering Associates to the Susquehanna complex. This eight-year-old company makes a "unique direct analog computer" to serve advanced engineering and research needs. Pat Lannan adds: "Our company plans to follow up this initial entry into electronics with further acquisitions."

Susquehanna revenues last year reached an alltime high of $22,500,000, an increase of 63% over 1959. Profits too were a record high of $2,200,000 (91¢ a share) compared with $253,000 or 11¢ a share in 1958. However last year Susquehanna enjoyed a substantial tax carry forward. With no tax credit left, Susquehanna earnings this year are expected to be only about half last year's record.

For the first half of 1960 revenues are figured at around $10,000,000, just about equal to the first half of 1959. Net income is estimated at 25¢ a share compared with

Weighing uranium oxide

47¢ in the first half of last year. Even so this compares to a spotty earnings record over the past decade which ranged from a deficit of 25¢ in 1952 to a previous high of 33¢ a share in 1956. In the over-the-counter market the common stock reflects some of these changes—about 14 last week *v* one buck in 1952.

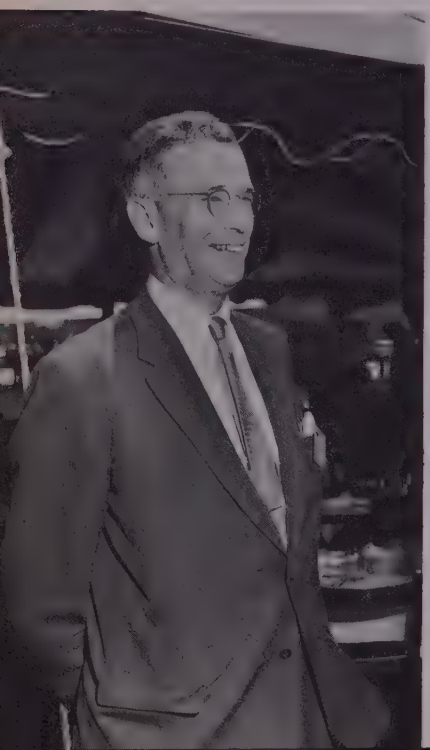
New Grumman Pilot

MEET E CLINTON TOWL, (see picture, page 16), newly elected president of Grumman Aircraft Engineering Corp of Bethpage, Long Island. He succeeds the late Leon A Swirbul who died earlier this Summer.

Cornell-grad Towl has ample experience for the job. Along with "Jake" Swirbul, current chairman Leroy R Grumman and newly-appointed chairman of the executive committee William T Schwendler, he was one of six original founders of

Grumman which had its beginnings in bleak year 1929. Before that he had worked for two years at Wall Street investment firm W E Burnett.

Known to his fellow workers as a "jack of all trades," 55-year-old Clint Towl was named assistant treasurer in 1937, three years later assumed the posts of vice president and assistant corporate secretary. In 1943 he became a director, at the same time assumed the presidencies of subsidiaries Aerobilt Bodies which makes trucks, trailers and containers and Grumman Boats which makes aluminum and fiber glass canoes, runabouts. He will continue to hold these posts. He was named administrative vice president in 1954, his slot until his recent appointment.



In his 31 years with Grumman Clint Towl has seen the company expand from a sportsmen's plane repairer to an important Navy aircraft producer. In fact during War II Grumman won the industry's first Navy "E" for work which included the famous Wildcat and Hellcat fighters. By V-J day it had turned out more than 17,000 planes for Uncle Sam.

Grumman is still a big Navy producer but more recently has flown toward "planes that require crews which could not easily be replaced by electronics equipment." Hence Grumman is now big in anti-submarine and carrier-based planes.

These include the Navy's Tracker series as well as the Tracer. Grumman makes the Mohawk observer for the Army and the Albatross air-sea rescue plane for the Navy, Air Force and Coast Guard. It is also developing the airframe and ground-handling equipment for the Navy's Eagle air-to-air missile.

The most fabulous thing around Grumman these days is the Gulfstream executive plane which should contribute the great bulk of the $36,000,000 in commercial sales the company expects this year (some will come from boats and truck-trailers). Grumman expects a market for close to 200 of the medium-sized turboprops in the next four years. It is now making money on them which is more than can be said for some other commercial plane producers who still look for profits from their speedy powerful jets.

Investor's Reader

Like many a wartime aircraft producer Grumman has seen its sales bound all over the lot. The peak was busy war year 1944 when volume was a hefty $324,000,000. Three years later it had fallen off to $24,241,000. Since then, however, the company has steadily increased volume to last year's $289,000,000, a peacetime record. Profits were up to $4,940,000 or $2.24 a share *v* $1.13 the year before. While half year results are still unavailable the company notes they were "substantially ahead" of the like 1959 period. For the full year sales are figured around the $300,000,000 mark and profits are expected to total at least $3.50.

Another New Face

FOLLOWING a tradition established a half century ago, Alonzo Galloway Decker Jr two days ago became the fourth family member to assume the presidency of the world's No 1 portable electric tool builder Black & Decker Manufacturing Company. Son of co-founder Alonzo Sr he succeeds former president & chairman Robert D Black, brother of B & D's other co-founder S Duncan Black. Bob Black had been president, chairman and chief executive officer since 1956 when he moved up from executive vp. Though he relinquishes the presidency Bob Black continues as chairman & chief executive officer (IR, Feb 17, *et seq*).

Into Alonzo Jr's former post of executive vp is W Griffin Morrel, former vp of Maryland's Chesapeake & Potomac Telephone Company and a B & D director since 1957.

The Maryland-born president is 52 and began his Black & Decker career three decades ago as a consulting engineer shortly after graduation from Cornell. In 1940 he was named vice president in charge of manufacturing and a director. He became executive vice president in 1956.

As president Alonzo Decker will help steer a company which may well be on its way to new records. For the six months ended March the Baltimore firm chalked up a 19% sales gain while earnings rose 30% to $1.29 a share.

Clevelander Pulls Ahead With New Adaptations, Expands Markets Abroad

IN HIS Cleveland office president J Basil Ward of Addressograph-Multigraph Corp remarked last week: "The great advantage of our machines is they can be used on a decentralized basis throughout an office or plant right where the work is done. People from all departments don't have to stand in line to use them and companies are not plagued with the necessity of keeping them busy all the time. It's a meat & potatoes business with a huge market."

Thus Basil Ward distinguishes Addressograph from the big computer makers in the office equipment field. He also notes some similarities: "It seems as though electronics has taken over the term 'data processing' which we originally used long ago. The Addressograph plate is just as much a memory unit as magnetic tape in a computer."

As a matter of fact the company is much attuned to the electronic age. It makes both electronic printers using magnetic tape and machines which convert information from punched cards to tape. Both are compatible with the computers of major manufacturers.

The company became Addressograph-Multigraph back in 1930 when Addressograph International and American Multigraph were merged. Today its business mostly falls into two categories delineated by each predecessor. From Addressograph came the concept of storing repetitive information on embossed metal plates which print the information when needed. Applications: addressing mail, printing charge account or credit card information. Addressograph "Graphotype" machines do the printing while other Addressograph machines emboss the plates.

Multigraph had two ideas for duplicating machines. The first and oldest was for printing from individual pieces of type which almost anyone could put together. Shortly after the union of the companies the Multilith offset duplicator was introduced. This basic process prints many copies from a smooth master which can be easily typed up or reproduced by photocopy methods.

Supply Lines. While Addressograph-Multigraph has a good market in such machines an even better market is the various business forms, paper, inked ribbons, carbon paper, etc which each machine gobbles up.

Unlike some office equippers, progress at Addressograph is not revolutionary. Instead the company each year adds a little or changes a little on its machines. Like a new model car, today's machine has more speed, efficiency and versatility than ten years ago. Another emphasis is on new uses for existing machines rather than new machines.

Take for instance the new Multigraph system "Freight-Rite" which Consolidated Freightways has put to work at its Portland, Ore office to simplify the paper work in bills of lading. The bill is simply an original

and two carbons. Shipping information is written or typed on the original; an Addressograph machine stamps the shipment number and terminal location. One copy goes to the shipper, one to the receiver. One of the carbon copies however is a Multilith master from which any number of copies can be made for use in the office of either the shipper or the receiver.

The machine on which the Multilith master is run is the new Multilith Offset model 2550, a high speed device so simple that one operator can run two. The operator need simply dial the number of copies desired, start the machine.

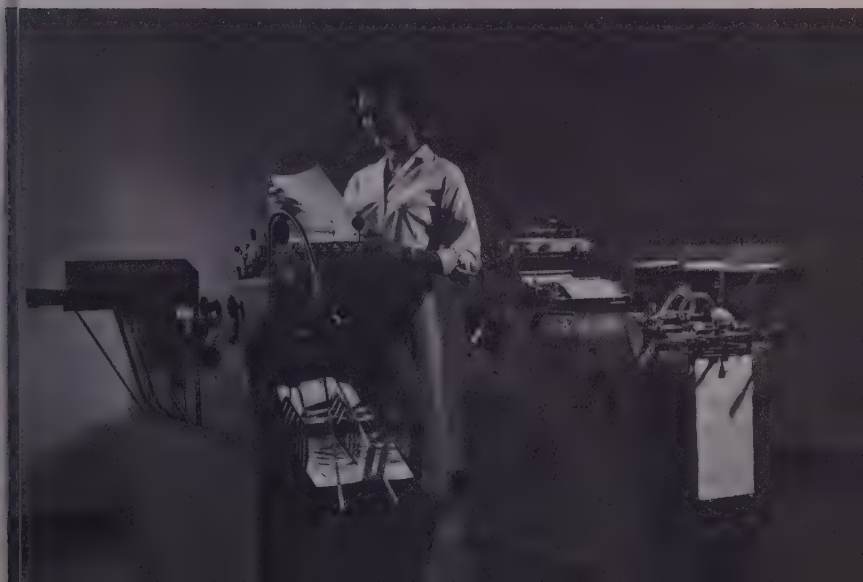
Electronic Banking. Addressograph is also prominent in magnetic ink encoding of bank checks. The company's model 1278 is in the Bank of America ERMA automatic check processing system to inscribe a code imprint on checks, number them serially and "personalize" them with the name and address of the account holder. Chase Manhattan Bank has Model 1938 for check imprinting in its system (IR, February 3).

Addressograph is spending about $3,000,000 this year on research. Vice president Donald C Adams notes this is 8% of sales of machines which account for only 40% of total sales. R&D expenditures have been growing at about 10% a year.

Like many office equipment makers, Addressograph is centralized in manufacturing but worldwide in sales. Its huge plant in Euclid, outside of Cleveland, accounts for the lion's share of its manufacture. Don Adams states this is particularly logical in Addressograph's case "because we have such a broad line."

Even so Addressograph has looked

Double the work on Multilith 2550



Office equipper Ward

increasingly to the overseas market for business and now the company makes about 25% of its sales abroad (including not-so-abroad Canada). Its main overseas manufacturing facility is in Britain, but "in the event the Six and the Seven [the European Common Market and the European Free Trade Area] don't get together," the company is also building a plant outside Frankfurt.

Meantime Addressograph is revamping its overseas sales approach by converting from sales agencies to company-owned branches. This follows a pattern long since established by Addressograph in this country. Thus instead of representation by local dealers who also carry other lines, Addressograph will have its own staff to concentrate on only Addressograph products. Since last year Addressograph has set up branch sales offices in Belgium, the Netherlands and South Africa. Says Don Adams: "We think the potential abroad is one of even greater growth than we've had there."

The Long Pull. Addressograph growth has been steady. In the last decade sales have expanded every year but one to last fiscal year's record $132,100,000; they should reach $150,000,000 at the July 31 fiscal year end. In the same period profits have increased in all but two years from $5,440,000 or 95¢ a share in 1950 to $9,834,000 or $1.56 a share in 1959. In the nine months ended April 30 sales were $115,898,000 *v* $100,255,000 in the like period a year ago. Earnings were $1.52 a share *v* $1.19.

The 6,300,000 shares of Addressograph common have risen even more sharply from a low of 8 only six years ago to a high of 94 this year. They now trade around 71. In recent years Addressograph has augmented the number of shares outstanding. This Spring stockholders approved a 2-for-1 split. In 1958 the shares were split 3-for-1 and the company had a small rights offering. Moreover Addressograph has paid 3% in stock every year since 1951. Since 1955 dividends have averaged 46% of earnings. The current rate: 22½¢ quarterly.

Headman Ward joined Addressograph back in 1912 and has been a salesman all his life. He became general sales manager in 1931, vice president in 1944 and president in 1952. Says he: "If business people knew as much about our equipment as a young man training with us can learn in 60 days, what a business we'd have."

New Fields at Ferro Corp

Cleveland Firm Expands From Frit to Fiber Glass

ON HIS WAY back to Cleveland from a tour of Ferro Corp's European operations, chairman Robert Augustus Weaver stopped in Manhattan for a day last week. It was just long enough to brief president Henry Thomas Marks ("but everyone calls me Harry") before the latter also set off to look at the overseas factories and sales pctentials of the world's No 1 maker of frit—the substance which is used to make porcelain enamel and ceramic glaze.

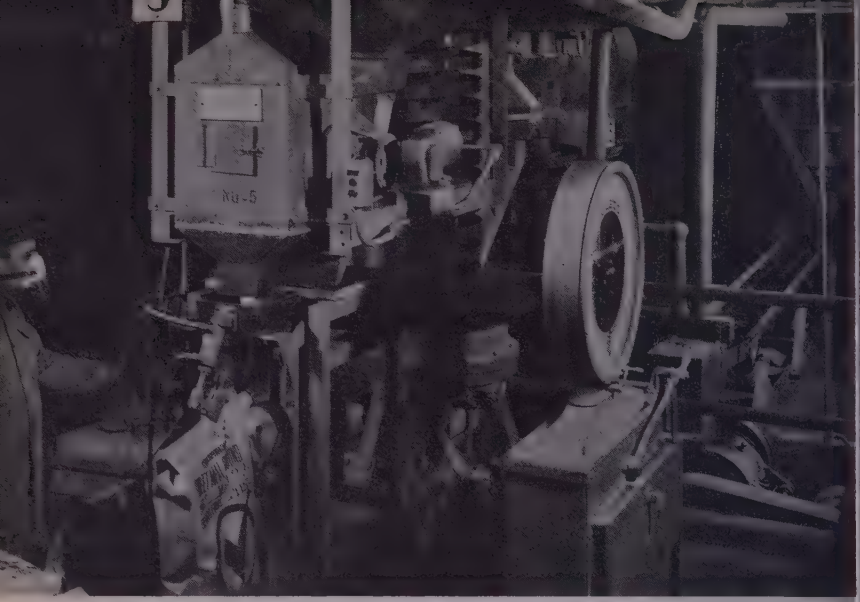
An energetic smiling 70, Bob Weaver stood by the window of his St Regis suite and remarked the stamp of aggressiveness for US companies nowadays is an operating subsidiary or interest abroad, then noted 40-year-old Ferro Corp is way ahead of the field.

Foreign Start. Back in 1927 when it was just eight years old, and a couple of millions big, the company opened shop in Ottawa, three years later had crossed the ocean to Holland. Chairman Weaver who has been with Ferro since its beginning philosophized: "There's a lot of luck involved in business. A little Dutch outfit which made scales was looking for a partner to set up a frit-making company in Holland and we went in 50-50 with them. Later we bought them out."

Ferro continued foreign expansion in the Thirties. Thus Bob Weaver's latest trip was "for the 25th anniversary celebrations of our British and French companies." And it continues to expand today, so "from Paris I went down to Spain for the ground breaking of a new plant in Bilbao." Admitted the globe-trotting chief executive as he ambled around the room, "You know, I'm a little tired."

Excluding the Spanish plant which won't be finished until early next year, Ferro operates twelve manufacturing plants in eleven foreign countries which bring in one-third of total volume and just over half of consolidated earnings. The traditional forte of enameling frit has been bathtubs, sinks, refrigerators, stoves and a myriad of other similar items. Says chairman Weaver: "Europe is like the US was in the late Thirties following the Depression. There's a tremendous market for all sorts of appliances. For instance they are just coming into adoption of refrigerators as a standard household appliance whereas this country is 93% saturated."

President Marks feels another big advantage in international operations is "they provide a wonderful management training ground." He speaks from experience. A native Ottawan, he joined Ferro there in 1933 after graduation from the University of Ottawa. Later he came to Cleveland to oversee the export business for a while and then to South America as manager of the Sao Paulo, Brazil plant. Says he: "As manager you're head of your own



Automatic frit loader

little company and have to know all the details of production, sales, advertising, finance, etc." Chimes in Bob Weaver, a Kenyon alumnus who did a stint as athletic director at De Veaux College back in 1912-13: "I've had some people tell me my second team was better than the first."

Harry Marks was brought home from Brazil to head all international operations, later became executive vp and was elected president after the death of Dudley Clawson in 1958. He notes: "As a matter of fact Dud Clawson came up from Brazil too, to become president. I understand our present manager there has his bags all packed."

Because the US markets for many appliances are increasingly dependent on replacement sales rather than dynamically growing new business, Ferro researchers busy themselves thinking up new applications for low-maintenance enamel. Engineers are working on a one-coat enameling method called Direct-On. It is achieved by replacing the conventional ground coat with an electroless nickel deposit. The ultimate goal is to lower the firing temperature to the neighborhood of 1250°F which would allow use of lighter gauge steels and lessen warping. Later this month a porcelain enamel research house will open in Cleveland suburb Northfield Center to persuade the public how enamel can be used for many more elements of home construction such as exterior curtain walls, interior wall surfaces and doors.

Ferro goes a step further to assure a market for its frit. Not only is it the major (an estimated 80% of all

in operation) builder of continuous enameling furnaces and ceramic kilns for appliance makers and other enamel users, it offers complete engineering services from specialized design to personnel training. States chairman Weaver: "I don't know of another industry that puts a man in business and then supplies him."

On to Color. If colored finishes are desired Ferro takes care of them through its growing color division which last year accounted for 8% of domestic and 12% of foreign sales.

Ferro started making color oxides for porcelain enamel and clayware in 1939, has since expanded to colorants for plastics. Last March's acquisition of Vitro Corp of America subsidiary Vitro Manufacturing rounded out a complete line by adding glass colors heretofore only made by Ferro in a few foreign plants. Though Ferro entered the business to color its own products today plastics presents an even bigger market, and Ferro has a strong position in that field.

To wit: while frit is still the biggest item abroad (70% of foreign sales), on the home front it is being closely rivalled by the eight-year-old fiber glass division. Last year frit brought in 30% of domestic sales compared to 15% for fiber glass and president Marks feels fiber glass will be ahead "by next year." Ferro produces the basic strands at its Nashville plant under a licensing agreement from Fiberglas daddy Owens-Corning, has several mat plants as well (California, Florida, Holland) which turn out more finished forms.

So far the main problem is keeping up with demand. Thus nearly half of this year's $6,000,000 capital expenditure is earmarked for fiber glass—as well as an additional $2,500,000 already planned for 1961. Sales last year were $6,000,000 and will total $8,000,000 in 1960. By year end production is expected to be running at a $12,000,000 annual rate.

The biggest fiber glass customers are boat builders; Ferro supplies fully half this bulging market, also sells to hundreds of other reinforced plastics manufacturers. In addition Ferro supplies the plastics industry through its chemical division which makes stabilizers for vinyls, polyethylene and polypropylene. Chemicals probably will soon be expanded through a merger now under negotiation which "should take place within the next two months." Thus, according to Harry Marks, "the plastics business is our biggest growth area as three of our divisions—frit, color, glass fibers—supply it."

"Flaked" frits for aluminum enamels

But Ferro has still more irons in the fire outside its original frit and

furnaces. The refractory division makes specialty items like gas heater radiants, foundry cores, clay tile setters and other kiln furniture. Through the Tuttle & Kift division which makes heating units for electric appliances, the company also increases its stake in that fluctuating industry.

Because appliance sales are important to Ferro's business their recent lag has contributed somewhat to lower than expected first half results. Says Henry Marks: "Sales are up 4% [to $32,860,000] but earnings are down 3% [to $1,730,000 or $2.15 a share]." Actually president Marks notes "increased R&D costs were largely responsible for the lesser profit. The drop in sales to the appliance industry was offset to some extent by increased sales to the plastics field." At any rate "this was the second best first half in our history." Last year was the record with profits of $1,790,000 or $2.23 a share.

Since the third quarter is generally slow, the cautious president allows "it will all depend on the fourth quarter whether or not we'll make our original 1960 estimate of $67,000,000 sales." This would compare with $63,900,000 in 1959. Earnings "should closely match" last year's $3,330,000. However about half of the company's 3⅝% debentures have been converted so far this year (about $2,730,000 remain) and full conversion would bring total Ferro common shares up to 886,000. At the end of June there were only 803,000. For this reason president Marks notes "we are refraining from forecasting any earnings on a per share basis at this time."

Next Decade. By 1970 volume is expected to double based on present lines and Harry Marks thinks even that figure "rather conservative but it's a good target." He feels the present 5½% profit margin can be maintained and "it might be even better as fiber glass grows." Foreign sales are expected to increase at a 10% yearly rate and the company is always looking for expansion opportunities "in fields that we know" such as plastics, fiber glass and color.

Since any acquisition would probably be for stock, Ferro is in an excellent position to barter. On the Big Board FOE traded last month at an alltime high of 68, over four times 1958's low. Last week it had settled back to around 53, still 11 points above its low for 1960, one point above the 1959 high and 14 above the previous peak scored in 1956.

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THIS HELPS A BILLION DOLLAR BUSINESS

This young matron (fetching, too) is about to lend an assist to the 44,000 common stockholders of one-billion-a-year International Paper Company. The Sheepherder bread she is buying is flash-frozen in a special finish carton developed by the Lord Baltimore Press with plants in that city, Clinton, Iowa and San Leandro, Cal. International acquired the company about two years ago for 190,000 shares of its own stock then worth $17,000,000. Lord Baltimore added custom lithographing and other printing processes to International's well integrated facilities which range from kraft and board to newsprint and bond paper.

A paper carton may seem trivial to most people but the new box permits the Nevada baker to ship its frozen old-fashioned bread all over the US plus Hawaii and Puerto Rico.

With an eye for more business, International Paper also designed a new loading machine for the baker. The first ever produced in the US it can pack from 40-to-60 loaves of Sheepherder bread a minute. Thanks to these things, Sheepherder president Robert Roush says volume has tripled in the past year. His prediction: almost all bread will be frozen by 1970.

Investors frequently overlook so-called stolid industries like paper. But over the past two decades International has done very well—sales have leaped sixfold and earnings have kept pace despite higher costs and lower margins on some lines. Yet last week IP shares sold about one-third below the high of 141 reached last year.

CORNUCOPIA

There are only five senses (six, if you insist), only 36 basic plots, only 102 great ideas.

In contrast, the stock market has an embarrassment of riches. There are some 1,500 stocks listed on the New York Stock Exchange alone and another 50,000 or so are listed on other exchanges or are traded over that telephone network that is known as the over-the-counter market. They can be bought by anyone who has the price.

Confronted with such a choice, what is the novice investor to do except wring his hands? How can he possibly size up the prospects for all the available stocks and pick one or two or three that are right for him?

The answer is that he can't—unless he wants to devote the rest of his life to the task. Obviously, he needs help—and that's where we come in.

Our Research Department, one of the biggest and best in the securities business, is staffed by people who have spent years collecting and analyzing information for the benefit of investors. Lately, Research has been giving special attention to companies that spend large amounts of money on research and development. The result is an interesting booklet called "R&D and the Investor," which discusses 47 companies spending large sums on research and development and which are likely to be of interest to forward-looking investors.

If you'd like to get acquainted with one kind of Research service that we offer, a copy of the booklet is yours for the asking, without charge or obligation.

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